

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6135**

**BILL NUMBER:** HB 1446

**NOTE PREPARED:** Nov 19, 2008

**BILL AMENDED:**

**SUBJECT:** Property tax deduction for farm security items.

**FIRST AUTHOR:** Rep. Knollman

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides a property tax deduction, not to exceed \$25,000 in assessed value per year, relating to secure storage of fertilizers and pesticides that could be used for terrorism or illegal drug manufacturing. It specifies that the deduction is available for certain chemical additives and for tangible personal property that is: (1) installed or placed in service after March 1, 2009; and (2) used to provide security for a fertilizer or pesticide by: (A) restricting access to or control of; or (B) conducting surveillance on or detecting unauthorized access to; the fertilizer or pesticide.

The bill provides that, in addition to filing a certified application statement, a person claiming the deduction must file a certification by the state chemist that the property for which the deduction is claimed has been installed or placed in service. It specifies that a person may not receive the deduction for security devices and the automatic abatement deduction under IC 6-1.1-12.4 for the same property.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** To obtain the deduction, a person must file a certified statement with the county auditor on forms prescribed by the Department of Local Government Finance (DLGF). The DLGF should be able to prescribe the requisite forms given its existing level of budget and resources.

*State Chemist's Office:* This bill provides a property tax deduction for property (including fences and equipment) that is used to provide security for a fertilizer or pesticide by restricting access to the material, by surveillance, or by detecting unauthorized access. The assessed value (AV) of a chemical added to the fertilizer or pesticide in order to deter its theft also qualifies for the deduction. The total annual deduction

may not exceed \$25,000 per facility.

Under current law, the AV of any real property improvements made to comply with the fertilizer storage rules adopted by the State Chemist is entitled to a property tax deduction. The State Chemist's office has to certify the improvements, and it has issued approximately 260 certificates since 1992 with about 10 in the past two years. The Office stated that currently a typical application takes about three to four hours to process and, based on current work load, it would be able to accommodate any anticipated increase in the number of applications.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill provides that a taxpayer is entitled to an annual property tax deduction in AV for certain security devices used to deter the theft of a fertilizer or pesticide. A person that qualifies for this deduction under this provision may not also apply for an investment deduction under IC 6-1.1-12.4. The bill applies to property taxes first payable in 2011. The total annual deduction for a taxpayer may not exceed \$25,000.

To obtain the deduction, a person must install the farm security device after March 1, 2009, and file a certified statement with the county auditor. In addition to the certified statement, the person must file the certification by the State Chemist that the property for which the deduction is claimed has been installed or placed in service. When the township assessor verifies the statement, the county auditor shall allow the deduction.

This proposal may result in an increase in deductions claimed. Additional deductions reduce the assessed value tax base. This causes a shift of the property tax burden from the taxpayers receiving the deduction to all taxpayers in the form of an increased tax rate. The total amount of the deduction and the potential tax shift cannot be determined at this time.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

**State Agencies Affected:** Department of Local Government Finance; State Chemist's Office.

**Local Agencies Affected:** County Auditor; Township assessor.

**Information Sources:** Michael Hancock, Fertilizer Administrator, State Chemist's Office, 765-494-1547.

**Fiscal Analyst:** David Lusan, 317-232-9592.